

Veterans Entrepreneurship Act of 2015 (H.R. XXX)
Section-by-Section

Section 1. Short Title

This Section designates the bill as the “Veterans Entrepreneurship Act of 2015.”

Section 2. Permanent SBA Express Loan Guarantee Fee Waiver For Veterans

This section amends Section 7(a)(31) of the Small Business Act (15 U.S.C. §§ 631-57s) by adding a new subsection (g), which waives the guarantee fee upon origination of a Small Business Administration (SBA) 7(a) express loan for veterans. This will make it easier for a veteran or spouse of a veteran to obtain the capital needed to start a small business. Under the current law, the SBA is authorized to charge an up-front guarantee fee which will vary depending on the size of the loan with a maximum cap of 3.75 percent of the amount guaranteed. Today, this means that the 7(a) program is operating at zero cost to the Federal Government as upfront and annual fees on loans are able to cover any defaults.

The 7(a) Loan Guarantee Program serves as the SBA’s primary mechanism to offer needed debt capital to small businesses when they may not be able to obtain sufficient credit from normal lending channels. There are two types of loans available under the 7(a) program that the borrower can select: either a conventional loan or an express loan. Conventional loans may have guarantees of up to 85 percent for smaller loans (those under \$150,000) and 75 percent for loans in excess of \$150,000 with a maximum loan size of \$5 million. Whereas express loans operate with only a 50 percent guarantee for up to \$350,000 but enable lenders to use their own forms for making the loans (thereby reducing costs and paperwork). Borrowers obtaining express loans still must pay the upfront fee authorized by paragraph 18 unless the Administrator has exercised authority to waive upfront fees for 7(a) loans under \$150,000.

Under new subsection (g), veterans would not have to pay the upfront fees for express loans unless the President, in the budget, determines that the 7(a) loan program will have a cost above zero as the term cost is defined in the Federal Credit Reform Act. Thus, for any year in which the 7(a) loan program will have a positive subsidy rate, thereby necessitating an appropriation to cover the cost of the program, the SBA would have to collect an upfront fee from veterans obtaining an express loan. In all other instances, upfront fees on 7(a) express loans would be waived for veterans.

In addition, the bill cross-references a number of statutory definitions to ensure that veterans and spouses of veterans are covered.